

**TESTIMONY OF  
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EASTERN CONNECTICUT HEALTH NETWORK  
BEFORE THE  
PUBLIC HEALTH COMMITTEE  
Wednesday, March 19, 2014**

**SB 460, AN ACT CONCERNING HOSPITAL CONVERSIONS AND OTHER MATTERS  
AFFECTING HOSPITALS.**

Eastern Connecticut Health Network (ECHN) appreciates the opportunity to submit testimony opposing Senate Bill 460, An Act Concerning Hospital Conversions and Other Matters Affecting Hospitals.

ECHN is a health system with a proud history of serving residents of eastern Connecticut for over 90 years with local access to the highest quality health care services. After nearly two years of careful due diligence and analyses, and with the interests of our patients and our employees as its driving considerations, ECHN's Board decided to pursue a transaction with a joint venture of Tenet Healthcare Corporation and Yale New Haven Health System. As our Board saw it, by becoming a for-profit company ECHN would become stronger in ways that would not be possible if it were to remain a stand-alone system.

In this era of unprecedented health care reform, changes to the way providers are paid for services, declining payments for services resulting from the Patient Protection and Affordable Care Act, hospital taxes and federal sequestration leave us challenged to reduce our expense base at a time when we have a significant need for capital to reform our care delivery system. Given our current economic path, a partnership is the best way we can continue to deliver high-quality care at the lowest possible cost and preserve and add jobs. These challenges are not unique to ECHN, our region or our state. Many hospitals across Connecticut are exploring or moving forward with merger and acquisition opportunities to achieve scale in order to reduce costs, secure capital to make needed investments and reform care delivery systems.

We have been careful and deliberate with our affiliation process. Volunteers, including trustees, Corporators and medical staff, have invested hundreds of hours of their time and worked hard to consider the interests and engage all of our constituents in this process, including our patients, employees, medical staff, the communities we serve, legislative representatives and union leadership.

Senate Bill 460 would impose extensive and unnecessary requirements on applicants in a regulatory process that already contains sufficient protections for the residents of CT. The current statutory requirements for hospital conversions have already been tested and proven effective, as evidenced by the successful conversion of Sharon Hospital. The

Attorney General and the Commissioner for the Department of Public Health currently have sufficient authority to test the integrity of our process, to ensure those responsible as fiduciaries carried out their duties and, most importantly, to ensure continued access to quality health care for our patients.

Consistent with the Attorney General's statutory mandate to represent the interests of the people of the State, Section 19a-486c of the current conversion statute already gives him broad power to disapprove the sale of a nonprofit hospital if the sale is deemed not to be in the public's interest. In fact, it specifically directs the Attorney General to deny an application on a host of grounds, including a failure on the part of the hospital's board to exercise due diligence with respect to the decision to transfer, the selection of the purchaser, the securing of a fairness opinion and the negotiation of the sale terms. Additionally, the AG must already conduct a multi-level in-depth analysis of the transaction, considering the fair market value for the assets, the financing risks for the transaction and the treatment of charitable assets among a host of other things.

Likewise, Section 19a-486d already sets out a set of clear and effective standards by which the Commissioner of the Department of Public Health must evaluate a hospital conversion for consistency with the public's health needs. The applicant must, among other things, demonstrate to the Commissioner that it will assure continued access to affordable health care, provide care to the underinsured and uninsured and if applicable, have safeguards in place to avoid conflicts of interest for patient referrals as well as satisfy other certificate of need requirements. No hospital conversion can pass these already-present and well-designed requirements unless it is in the public's interest.

Both the Attorney General and Commissioner have broad powers to issue subpoenas, issue interrogatories and apply to the superior court if any person fails to comply. He or she may contract with experts or consultants to assist in the review of the agreement.

In summary, we agree that hospital conversions should be subject to a thorough regulatory approval process that carefully considers the needs of all constituents, but that process already exists in the law. The extensive requirements of Bill 460 will discourage good faith buyers from participating in such a burdensome process, in which they have no assurance that there is a reasonable chance for approval. Despite the honorable intentions of the Committee, Bill 460 will undermine the health care delivery system that is absolutely essential to the well-being of our residents, during one of its most vulnerable times in history. The conversion of ECHN with Yale New Haven Health System and Tenet Healthcare Corporation is about ensuring that investments are made in reforming our care delivery systems to preserve access to the highest quality, affordable care for our patients.

We appreciate your consideration of our position. Thank you.